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Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing a Unified Intercarrier Compensation Regime, CC Docket 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109; Universal Service Reform – Mobility Fund, WT Docket No. 10-208

Dear Ms. Dortch:

My firm has provided accounting and auditing services to privately held rate of return carriers in the State of Illinois since 1987. I am writing to express my concerns regarding the audit requirement as set forth in Appendix A, §54.313. At best, this requirement is unworkable in its present form and, at worst, due to the cap ex limitations, may be confiscatory. My firm respectfully requests that the audit requirement be reconsidered by the FCC and be replaced with the requirement that all privately held rate of return carriers file a form approved by the FCC that is based on the RUS Form 479. If the information on the form is audited, it would be so indicated by the Carrier; if it is not audited, an officer's certification of the data would be required.

One benefit of requiring a form in the RUS Form 479 format is that all reports to the FCC would then contain data in a consistent form that can be readily used and accessed by the Commission because the carriers that are currently required to file RUS Form 479 will also be providing that form to the FCC. If GAAP audit reports are filed as is currently contemplated, the Commission will be receiving a hodgepodge of information that will take significant time and effort for the Commission staff to filter in order to compile any comparable and consistent data. Also, the due date should be changed to April 30 or 120 days after year end which would make the due date consistent with RUS. The FCC should consider requests for an extension to June 1 if the carrier has a justifiable reason for extension. Many of these reasons are delineated below.

In Illinois, there is no requirement for privately held rate of return carriers to be audited. The Illinois Commerce Commission requires an annual report to be filed with the Commission with an officer's certification. It is my estimate that approximately 75% of Illinois-based privately held rate of return carriers are not audited. Almost all of the companies that currently do have audited financial statements do so because they have outstanding debt and audited statements are required by their lenders. The audit requirement will increase corporate operating expenses for most of the companies and still not provide the Commission with data in a consistent format.

Again, Marlett and Associates respectfully requests the Federal Communications Commission to reconsider the GAAP audit requirement and replace it with a form that is based on the RUS Form 479. The following delineates why the audit requirement in its current form is not workable and will not provide the Commission with consistent and comparable data.

Initial Audits

There are many companies for which this will be the first audit performed on their financial statements. The planning and performance of the audit procedures can take several weeks. An audit includes certain documentation requirements, such as internal control procedures, that would not have been prepared but for the audit. This documentation can also take significant time to prepare. For these reasons, we expect many of the companies to have significant logistical challenges to meet an April 1, 2012 report deadline. Many, if not all, initial audit companies will need an extension of this deadline. The FCC needs to implement a system for requesting extensions and inform the carriers about the process to obtain an extension and how the notification of approval of such extensions from the FCC to the carrier will take place.

Delayed Audit Reports

In some cases a report may be delayed for reasons beyond the company's control. This can include the simple logistics of waiting for supporting information such as actuarial reports or performing audit procedures on material investments that rely on audit reports from third parties. In order to accommodate these delays, several companies' long-standing audit issuance timelines have been developed following the RUS, RTFC, and CoBank deadlines of 120 days. Again, the FCC needs to implement a system for requesting extensions and inform the carriers about the process to obtain an extension and how the notification of approval of such extensions from the FCC to the carrier will take place.

Consolidated Financial Statements

Many companies prepare a consolidated audit report including balances of majority owned subsidiary entities that have operations unrelated to communications services and likely nonregulated services. Because of the public nature of the reports being submitted, many companies are expected to want to submit single entity statements only, excluding any subsidiary or holding company information. In some cases a qualified audit report will be issued disclosing a departure from GAAP because consolidating statements were not used.

To summarize, for the reasons stated above, the audit requirement is unworkable in its present form. The Commission will receive GAAP-audited financial statements in varying nature and formats. The data in the reports will not be consistent or comparable. The GAAP audit requirement should be reconsidered by the Commission and replaced with a form based on the RUS Form 479. The process for extensions and their approval must be implemented as early as possible for those carriers that may need an initial audit or that have other reasonable needs for an extension.

A copy of this letter is also being provided to Carol Matthey of the Wireline Competition Bureau and Roberta D. Purcell, RUS, Assistant Administrator Telecommunications Program.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS with your office. Please feel free to contact me at any time to further discuss any of these issues.

Sincerely,

A handwritten signature in blue ink that reads "David M. Marlett, CPA". The signature is written in a cursive, flowing style.

David M. Marlett, CPA
Marlett and Associates CPAs LTD